

MISSOURI BUDGET AND LEGISLATIVE AGENDA

Making Public Education a Priority

“A fundamental objective of my administration will be to make education the number one public policy priority.”

Governor Matt Blunt

Communities are judged by the quality of education that they provide to their children. One of the best indicators of a child's level of success is the amount of support he or she receives from their parents or guardians. Children need someone to believe in them and someone to care about whether or not they achieve. Many Missouri schools are located in communities that are plagued by crime and crumbling infrastructure. Many students do not receive the support they need to reach their full potential. Governor Blunt proposes a new approach to return to an environment in which community groups, churches, and other local institutions are motivated to partner with local schools. During the Governor's administration his “This is Your School” initiative will help promote a sense of community involvement and encourage local groups to work together to find solutions that support Missouri students and teachers.

In the first year of his administration, Governor Blunt will make public education his top priority by instituting “This is Your School,” working to improve Missouri's public aid funding system, supporting early childhood programs, and addressing the escalating costs of higher education.

Reworking the Formula for Distributing State Aid to Public Schools

Missouri has used the Foundation Formula to distribute aid to school districts since 1955. The formula uses the number of pupils, average daily attendance, and local property taxes to calculate state aid. The formula was last rewritten in 1993 following a court ruling that it was unconstitutional.

A decade later, these same equity issues persist. Today, some schools spend an average of just over \$4,500 per pupil, per year, while others exceed \$13,000 per year. The Committee for Educational Equality, representing nearly half of Missouri's 524 school districts, filed suit against the state in 2004. The suit alleges the current formula is not an equitable or adequate means of distributing state aid to public schools.

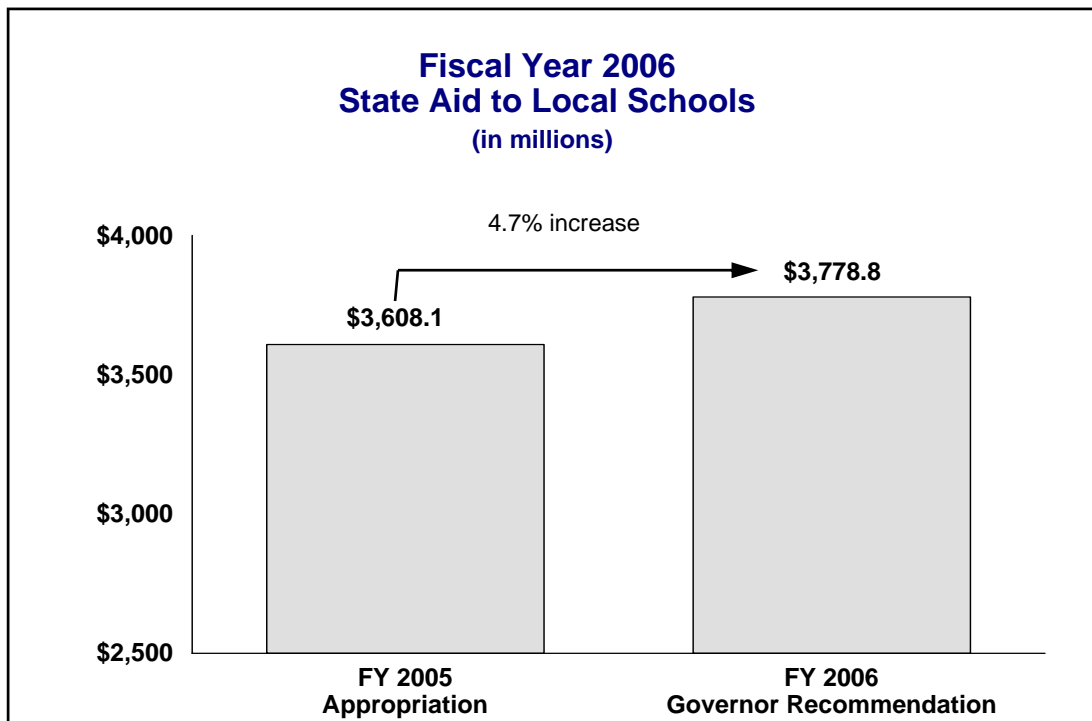
Governor Blunt has already taken steps to begin addressing this important issue by hosting an Education Summit. The first week in January, the Governor convened a group of legislative leaders, teachers' groups, and school administrators to gather ideas about how to improve the current funding system. The Governor is committed to working with the legislature and education leaders to construct a new funding system that will improve the manner in which school funding is distributed and keep the issue out of the courts.

2005 Legislative Initiative Rewriting the School Foundation Formula

Governor Blunt is committed to working with the legislature and education leaders in developing a more equitable way of distributing education funding to Missouri's 524 school districts this session. The Governor supports legislation that:

- Addresses the shortcomings of the present formula without resulting in a net tax increase for Missourians.
- Establishes a Classroom Trust Fund from gaming proceeds that keeps faith with voters who originally passed amendments creating riverboat gambling.
- Allows school districts to exempt themselves out of the formula and out of state regulations.
- Allows school districts to provide additional support to their schools through locally-controlled income or sales taxes approved by voters in their community.
- Ensures that the special education needs of students are carefully considered.

In addition to working with the legislature to rewrite the Foundation Formula in 2005, Governor Blunt pledges to NEVER withhold money that has been appropriated for public schools. For too long, public education has been politicized. Education should be the state's top priority. It is important to parents, employers, and to the children that will be the future leaders of our state. The Governor will work together with the legislature and educators to take politics out of education and explore new ideas that identify real solutions. Governor Blunt's Fiscal Year 2006 budget includes \$170.6 million in additional funding, a 4.7 percent increase, for direct state aid to public schools.



Early Childhood Education Programs

Experts agree that a child's most influential years of learning occur before age five. Evidence indicates that a child's early experiences can significantly enhance learning and development. It is also critical that any developmental issues be identified as early as possible. The role of the school in the early years is to assist the family in providing children a solid educational foundation. It is educationally sound, as well as cost-effective, for schools to work cooperatively with parents during the crucial first years.

Since 1981, Missouri's nationally recognized Parents as Teachers (PAT) Program has supported parents in their role as their child's first and most influential teacher. PAT provides parent education and developmental screening services to families from the time their children are born until they are five years old. The program will provide services to approximately 164,400 families and perform approximately 124,000 screenings each year. Governor Blunt recognizes the importance of Missouri's PAT Program. The Governor's Fiscal Year 2006 budget includes \$5 million to increase participation in this program. This increase will provide services to an additional 10,600 families statewide. It will also allow families with children ages three to five to receive three visits from a PAT educator during the year instead of only one.

A+ Schools

The A+ Schools Program is a school improvement initiative established by the Outstanding Schools Act of 1993. The program raises academic standards, opens new doors to higher education, and introduces students to the teaching profession through tutoring and mentoring activities. The program provides incentives for local high schools to:

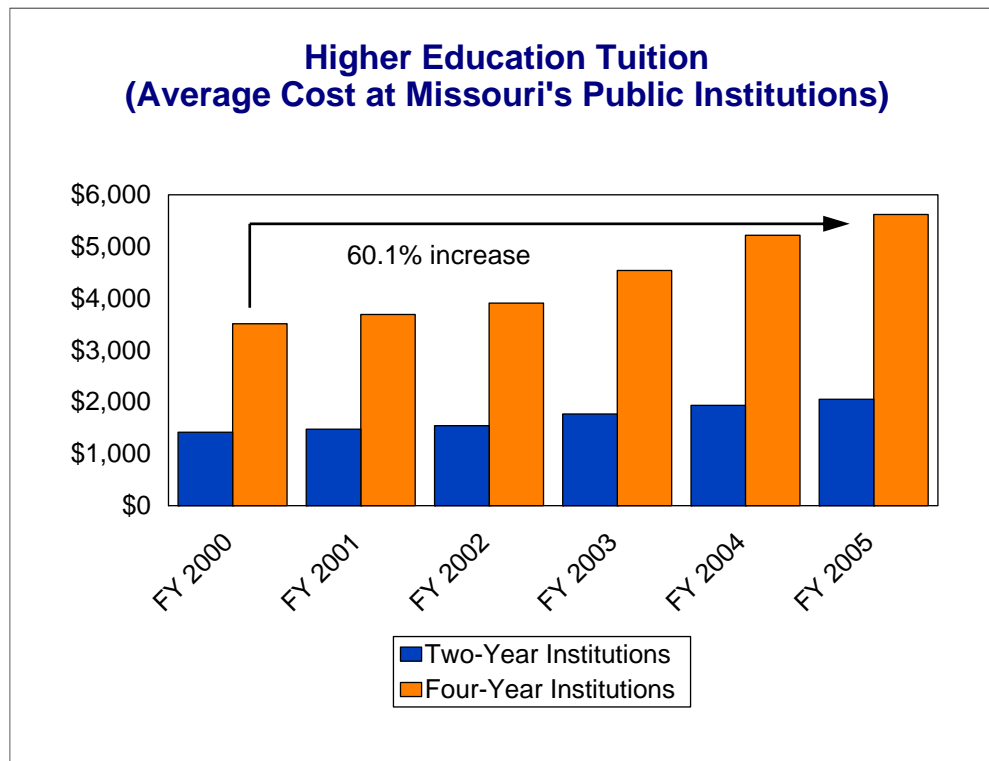
- Reduce the dropout rate.
- Raise academic expectations and eliminate "general track" courses.
- Provide better "career pathways" for all students.
- Work more closely with business and higher education leaders.

Governor Blunt supports this important program that encourages students to stay in school, make career plans, tutor younger students, and graduate with the skills and knowledge required for career success or further education. To allow the program to benefit additional students, the Governor's Fiscal Year 2006 budget includes an increase of \$3.8 million for the A+ Schools Program, bringing total funding to \$16.4 million.

Maintaining a Commitment to Higher Education and Addressing the Rising Costs of Tuition

Governor Blunt's budget provides higher education with consistent and reliable funding, even in the face of incredible budget pressures. By making the tough choices associated with this budget, where for the first time in several years expenditures actually match revenues received by the state, Governor Blunt hopes to be able to avoid problems recently experienced by higher education in which a significant level of uncertainty has existed regarding how much general revenue would be available.

Tuition and fees at Missouri's four-year institutions have increased by an average of 23.8 percent in the last two years, while tuition and fees at Missouri's community colleges have risen by an average of 16.2 percent over the same period. Over the past five years, the increases are even more dramatic, with tuition costs at four-year institutions and community colleges rising by 60.1 percent and 45.0 percent, respectively. These tuition increases have placed an enormous financial burden on Missouri students and their families and have forced an increasing number of students to take on unacceptably high levels of debt in order to pursue a college education. Families with lower and middle incomes can simply no longer afford the cost of college. To help Missouri families cope with these rising tuition costs, Governor Blunt has challenged Missouri's colleges and universities to increase the efficiency of their operations. By operating more efficiently, Missouri's higher education institutions should be able to limit tuition increases.



Supporting Higher Education's Role in Economic Development

Missouri's public colleges, universities, and community colleges provide Missouri citizens the opportunity to enhance their knowledge, expand their skills, and prepare for careers in a wide variety of areas. These higher education institutions provide lifelong learning opportunities that make Missourians better prepared for the demands of a changing workplace. The University of Missouri System has expanded its mission to "support economic development." This is an important mission at a time when Missouri needs to entice new industries to the state, while also helping current Missouri-based businesses expand. Providing companies with an educated, highly-trained workforce is an important way Missouri's colleges and universities can support economic development.

Missouri's public colleges and universities also play a critical role in economic development through various collaborative efforts with the private sector. Increasing such collaborations to maximize strengths and synergies will be central to the emergence of new Missouri industries. It is critical that Missouri's public institutions work together and support each other's efforts to maximize these strengths. Doing so will help make Missouri more competitive with other states.

Governor Blunt supports Southwest Missouri State University's effort to change its name to Missouri State University. This will appropriately reflect the statewide makeup of the university's students and provide it the prestige associated with statewide institutions in other states, such as Illinois State, Indiana State, and Arkansas State. Southwest Missouri State University has established itself as an important institution in Missouri. The high regard associated with a statewide name will increase opportunities for economic development and should be supported.

Increasing commercialization of technology developed at Missouri's public colleges and universities can create a valuable income stream from which institutions and the state as a whole can benefit. Information regarding research project discoveries and patented technologies at Missouri's public colleges and universities should, whenever possible, be made public. Missouri institutions need to advertise potential commercial applications and aggressively market them to the appropriate industries. Every good idea needs a champion. Missouri should create economic incentives to reward individuals that develop the technology and license it to outside institutions. The Missouri Chamber of Commerce and Industry and other marketing partners should be utilized to make current and emerging industries aware of the technological advances and resources available through the state's public institutions.

Additional Opportunities to Save for College

In 1996, the United States Congress authorized the Internal Revenue Service to create tax incentives for college savings plans. The IRS established guidelines for the administration of qualified state tuition programs, typically called 529 plans. This term references the section of the IRS code that contains the regulations related to these programs. These plans allow a parent, guardian, other family member, or friend to set aside money to meet qualifying higher education expenses. Missouri operates a 529 plan called Missouri Savings for Tuition (MO\$T). The plan offers the following tax benefits: participants are not subject to federal or state taxes on earned income, and participants and

beneficiaries are not subject to federal or state taxes on withdrawals. The State of Missouri also offers individuals contributing to MO\$T a state tax deduction of up to \$8,000 annually. Unfortunately, the MO\$T Program offers only a very limited number of investment options, as the program is operated by only one fund manager. Many states have several different fund managers participating in their 529 programs. This gives parents the option of choosing between different managers based on their preferred investment strategies. Governor Blunt supports offering parents additional options with regard to fund management.

2005 Legislative Initiative Expanding College Investment Opportunities

To expand college savings opportunities for Missouri parents, Governor Blunt proposes legislation that:

- Allows Missouri residents participating in any qualified 529 plan from any state or political subdivision to receive equal tax benefits. Currently, Missouri only allows income tax deductions for contributions made to MO\$T.
- Allows Missouri parents the opportunity to assess the costs and returns of different plan managers and investment options so they can invest in a specific 529 plan that works best for them.
- Allows Missouri investment professionals throughout the state to make their clients aware of college savings options and recommend to these clients the best possible 529 plan to reach their college savings goals.